

Audited Financial Statements and
Supplementary Information

**KINGSTON PLANTATION
MASTER ASSOCIATION, INC.**

Years Ended December 31, 2022 and 2021

KINGSTON PLANTATION MASTER ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kingston Plantation Master Association, Inc.
Myrtle Beach, South Carolina

Opinion

I have audited the accompanying financial statements of Kingston Plantation Master Association, Inc., which comprise the balance sheets as of December 31, 2022 and 2021 and the related statements of revenues and expenses and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kingston Plantation Master Association, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Kingston Plantation Master Association, Inc. and to meet other ethical responsibilities in accordance with the relevant ethical requirements relating to the audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kingston Plantation Master Association, Inc.'s ability to continue as a going concern within one year after the date the financial statements are available to be issued.

(continued on next page)

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kingston Plantation Master Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kingston Plantation Master Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information on future major repairs and replacements on page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Wayne E. Fussaro, CPA

Surfside Beach, South Carolina

May 6, 2023

KINGSTON PLANTATION MASTER ASSOCIATION, INC.

BALANCE SHEETS

December 31, 2022 and 2021

| | Operating Fund | Reserve Fund | 2022 Totals | 2021 Totals |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>ASSETS</u> | | | | |
| Cash & cash equivalents | \$ 1,119,667 | \$ 2,273,432 | \$ 3,393,099 | \$ 3,219,360 |
| Assessments & other amounts receivable | - | - | - | 30,306 |
| Prepaid insurance | 24,843 | - | 24,843 | 18,794 |
| Utility deposits | 2,220 | - | 2,220 | 220 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 1,146,730</u> | <u>\$ 2,273,432</u> | <u>\$ 3,420,162</u> | <u>\$ 3,268,680</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Accounts & other amounts payable | \$ 32,845 | \$ - | \$ 32,845 | \$ 32,356 |
| Construction deposits | 18,000 | - | 18,000 | 13,000 |
| Golf cart parking deposits | 19,650 | - | 19,650 | - |
| Deferred revenue - cable & internet contract | 500,400 | - | 500,400 | 280,260 |
| Assessments received in advance - operating | 13,518 | - | 13,518 | 46,303 |
| Contract liabilities (assessments received in advance-reserve fund) | - | 2,273,432 | 2,273,432 | 2,441,903 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | 584,413 | 2,273,432 | 2,857,845 | 2,813,822 |
| Fund balances | <u>562,317</u> | <u>-</u> | <u>562,317</u> | <u>454,858</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities & fund balances | <u>\$ 1,146,730</u> | <u>\$ 2,273,432</u> | <u>\$ 3,420,162</u> | <u>\$ 3,268,680</u> |

The accompanying notes are an integral part of these financial statements.

KINGSTON PLANTATION MASTER ASSOCIATION, INC.

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES

Years Ended December 31, 2022 and 2021

| | Operating Fund | Reserve Fund | 2022 Totals | 2021 Totals |
|---|-------------------|-----------------|------------------|------------------|
| Revenues | | | | |
| Regular assessments | \$ 2,292,329 | \$ 400,000 | \$ 2,692,329 | \$ 2,599,005 |
| FASB ASC 606 | - | 168,471 | 168,471 | (311,509) |
| Cable TV assessments | 324,000 | - | 324,000 | 315,303 |
| Cable & internet contract revenue | 59,060 | - | 59,060 | 31,140 |
| Interest / investment income | 427 | 1,100 | 1,527 | 443 |
| Rental income | 19,845 | - | 19,845 | 19,845 |
| Decal / sticker revenues | 122,995 | - | 122,995 | 84,583 |
| Bike rally parking fee revenues | 20,843 | - | 20,843 | - |
| Other revenues | 10,458 | - | 10,458 | 10,460 |
| Total revenue | 2,849,957 | 569,571 | 3,419,528 | 2,749,270 |
| Expenses | | | | |
| Repairs & maintenance | | | | |
| General maintenance & materials | 121,730 | - | 121,730 | 114,438 |
| Irrigation maintenance | 9,356 | - | 9,356 | 8,470 |
| Janitorial supplies | 1,777 | - | 1,777 | 1,731 |
| Lake maintenance | 9,540 | - | 9,540 | 9,540 |
| Landscape contract | 966,008 | - | 966,008 | 931,962 |
| Landscape maintenance & supplies | 51,558 | - | 51,558 | 28,124 |
| Maintenance staff | 208,058 | - | 208,058 | 194,396 |
| Parking area maintenance | 916 | - | 916 | 223 |
| Pest control | 23,228 | - | 23,228 | 23,856 |
| Pool maintenance, supplies, & equipment | 19,142 | - | 19,142 | 13,790 |
| Tree maintenance | 36,468 | - | 36,468 | 48,500 |
| Total repairs & maintenance | 1,447,781 | - | 1,447,781 | 1,375,030 |
| General & administrative | | | | |
| Management services | 209,710 | - | 209,710 | 199,021 |
| Accounting services | 4,600 | - | 4,600 | 4,600 |
| Legal & professional services | 10,900 | - | 10,900 | 2,435 |
| Insurance expense | 46,907 | - | 46,907 | 39,812 |
| Office supplies & administrative expenses | 34,593 | - | 34,593 | 35,654 |
| Total general & administrative | 306,710 | - | 306,710 | 281,522 |

The accompanying notes are an integral part of these financial statements.

KINGSTON PLANTATION MASTER ASSOCIATION, INC.

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES (continued)

Years Ended December 31, 2022 and 2021

| | Operating Fund | Reserve Fund | 2022 Totals | 2021 Totals |
|--|-------------------|-----------------|-------------------|-------------------|
| <u>Expenses (continued)</u> | | | | |
| Utilities | | | | |
| Electricity | 70,196 | - | 70,196 | 71,209 |
| Water & sewer | 15,177 | - | 15,177 | 7,681 |
| Trash removal | 28,706 | - | 28,706 | 23,516 |
| Telephone | 4,030 | - | 4,030 | 4,394 |
| High speed internet access | 3,809 | - | 3,809 | 394 |
| Cable television | 328,574 | - | 328,574 | 321,834 |
| Total utilities | <u>450,492</u> | <u>-</u> | <u>450,492</u> | <u>429,028</u> |
| Other expenses (income) | | | | |
| Contract security | 467,871 | - | 467,871 | 450,950 |
| Bike rally parking fee expenses | 35,924 | - | 35,924 | - |
| Holiday decorations | 4,363 | - | 4,363 | 1,281 |
| Storm damage repairs | 10,301 | - | 10,301 | - |
| Taxes & licenses | 19,056 | - | 19,056 | 20,057 |
| Total other expenses (income) | <u>537,515</u> | <u>-</u> | <u>537,515</u> | <u>472,288</u> |
| Major repairs & replacements | | | | |
| Building and other common property repairs and replacements | - | 569,571 | 569,571 | 88,880 |
| Total major repairs & replacements | - | 569,571 | 569,571 | 88,880 |
| Total expenses | <u>2,742,498</u> | <u>569,571</u> | <u>3,312,069</u> | <u>2,646,748</u> |
| Excess of revenues over expenses | 107,459 | - | 107,459 | 102,522 |
| Beginning fund balances | <u>454,858</u> | <u>-</u> | <u>454,858</u> | <u>352,336</u> |
| Ending fund balances | <u>\$ 562,317</u> | <u>\$ -</u> | <u>\$ 562,317</u> | <u>\$ 454,858</u> |

The accompanying notes are an integral part of these financial statements.

KINGSTON PLANTATION MASTER ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

| | Operating Fund | Reserve Fund | 2022 Totals | 2021 Totals |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| Cash flows from operating activities: | | | | |
| Excess of revenues over expenses | \$ 107,459 | \$ - | \$ 107,459 | \$ 102,522 |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities: | | | | |
| (Increase) decrease in: | | | | |
| Assessments & other amounts receivable | 30,306 | - | 30,306 | (20,809) |
| Prepaid insurance | (6,049) | - | (6,049) | (1,795) |
| Utility deposits | (2,000) | - | (2,000) | - |
| Increase (decrease) in: | | | | |
| Accounts & other amounts payable | 489 | - | 489 | (14,669) |
| Income taxes payable | - | - | - | (1,753) |
| Construction deposits | 5,000 | - | 5,000 | (20,000) |
| Golf cart parking deposits | 19,650 | - | 19,650 | - |
| Assessments received in advance - operating | (32,785) | - | (32,785) | 43,078 |
| Deferred revenue | 220,140 | - | 220,140 | 280,260 |
| Contract liabilities (assessments received in advance-reserve fund) | - | (168,471) | (168,471) | 311,509 |
| Net cash provided by (used in) operating activities | <u>342,210</u> | <u>(168,471)</u> | <u>173,739</u> | <u>678,343</u> |
| Cash & cash equivalents, beginning of year | <u>777,457</u> | <u>2,441,903</u> | <u>3,219,360</u> | <u>2,541,017</u> |
| Cash & cash equivalents, end of year | <u><u>\$ 1,119,667</u></u> | <u><u>\$ 2,273,432</u></u> | <u><u>\$ 3,393,099</u></u> | <u><u>\$ 3,219,360</u></u> |
| Supplementary cash flow information | | | | |
| Cash paid during the year for: | | | | |
| Income taxes | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,753</u></u> |

The accompanying notes are an integral part of these financial statements.

KINGSTON PLANTATION MASTER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

1 - NATURE OF ORGANIZATION

Kingston Plantation Master Association, Inc. (the Association) is a statutory association incorporated and existing under the laws of the state of South Carolina. The Association is responsible for maintaining and preserving common property, enforcing rules for mutual benefit, and providing other common services to the Kingston Plantation. The Association is the master association for the fourteen (14) subordinate regimes located within the Kingston Plantation, a resort development in Myrtle Beach, South Carolina, consisting of 1,643 residential and commercial units. The Association began its operation in 1986.

2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 6, 2023, the date that the financial statements were available to be issued.

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association has elected to report its revenues and expenses on the accrual basis. Consequently, revenues and expenses are recognized when the revenues are earned rather than when received and when the expenses are incurred rather than when paid.

Fund Accounting

To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in specific funds established according to their nature and purpose. The Association's funds are separated between operating funds and funds for future major repairs and replacements. Operating disbursements are made generally at the discretion of the Board of Directors and the Association's property management company. Replacement funds have been set aside for a specific purpose and are to be disbursed accordingly.

Assessments Received in Advance – Operating Fund

Assessments received in advance in the operating fund at December 31, 2022 and 2021 represents payments received in advance for homeowners' operating assessments. These advance payments will be recognized as revenue in the months in which they are earned.

Contract Liabilities (Assessments received in advance-reserve fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-reserve fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand and money market deposits along with investments in government and agency bonds. The Association considers all certificates of deposit with original maturities of less than one hundred twenty (120) days to be cash equivalents.

KINGSTON PLANTATION MASTER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash equivalents, including amounts invested in US treasury bonds with maturities ranging from three (3) months to one (1) year.

The recorded values of cash and cash equivalents approximate their fair values based on their nature. The fair value of the Organization's cash and cash equivalents invested in US treasury bonds is a level 1 measurement.

FASB codification Topic 820-10 on *Fair Value Measurements* (FASB 820-10) establishes a framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Organization uses the following valuation techniques to measure fair value for its assets and liabilities:

- Level 1 – quoted market prices in active markets for identical assets or liabilities;
- Level 2 – observable inputs other than level 1 including quoted prices for similar assets or liabilities, quoted market prices in less active markets, or other observable inputs that can be corroborated by observable market data;
- Level 3 – unobservable inputs for the asset or liability, which are valued based on management's estimates of assumptions that market participants would use in the pricing of the asset or liability.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the reserve fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable, at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners and other amounts owed to the Association. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are ninety days or more delinquent. The Association has not recorded an allowance for doubtful accounts at December 31, 2022 and 2021. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained included consideration of past experience and susceptibility to factors outside of the Association's control.

KINGSTON PLANTATION MASTER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not reflected on the Association's financial statements. Those properties are owned by the individual unit owners in common and dedicated for the use of the entire community. These common areas cannot be sold separately and thus have no fair market value other than that related to their intended use. All expenditures for real property common elements and improvements are reflected as an expense in the period incurred. Common property elements not recognized as assets in the financial statements consist primarily of access pool elements, landscaping, property and other common areas.

4 - RECLASSIFICATIONS

Certain reclassifications may have been made to the prior year financial statements in order for them to be in conformity with current year presentation.

5 - COMMITMENTS & CONTINGENCIES

The Association is a party to various legal actions normally associated with homeowner associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

From time to time, the Association may enter into contracts with vendors, towards the end of the calendar year. Some of these contracts may call for a down-payment to begin the job, and payments as the work progresses. The Association recognizes these expenses as the work is completed and billed by the contractor.

6 - INCOME TAXES

Under the provisions of the Internal Revenue Code, the Association is allowed to elect each year to file as an eligible Section 528 homeowner's association, thereby excluding exempt function income from taxation, or file as an ordinary taxable corporation. Under Section 528, the Association is taxed on its net nonexempt function income, which consists primarily of interest, rental and vending income, at a flat rate of 30% by the federal government and at 5% by the State of South Carolina. Income related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property, is not taxable. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal and state income tax returns generally remain open to examination by the Internal Revenue Service and the South Carolina Department of Revenue for three (3) years after they were filed. In evaluating the Association's tax calculations, the Association believes that its estimates are appropriate based on current facts and circumstances.

KINGSTON PLANTATION MASTER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated net funds, which total \$2,273,432 and \$2,441,903 at December 31, 2022 and 2021, respectively, are presented on the accompanying balance sheets as a contract liability (assessments received in advance – reserve fund) and are held in separate accounts and generally not available for operating purposes. However, these funds may be used, as needed, for any Association purpose at the discretion of the Board of Directors.

The Association's Board of Directors estimates the remaining useful lives and replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on estimates of current replacement costs, considering amounts previously designated for future repairs and replacements. The estimates for current replacement costs include a provision for the future effects of inflation. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to board approval, to increase regular assessments or to levy a special assessment to supplement previously budgeted funds.

8 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Association to concentration of credit risk consist of cash and cash equivalents, money market accounts and US treasury bonds. Cash and cash equivalent balances on deposit at financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The FDIC does not insure US treasury bonds but these investments are backed by the full faith and credit of the United States Government. While not an agency of the United States government like the FDIC, the Securities Investor Protection Corporation (SIPC) insures accounts (not the underlying investments) up to a maximum of \$500,000.

As of December 31, 2022 and 2021, cash in the Association's financial institutions exceeded the federally insured limit. However, balances often fluctuate during the year, depending on the cash flow needs of the Association, and may exceed the \$250,000 limit at times. Management regularly monitors the financial condition of the banking institutions to minimize the risk of loss due to uninsured balances.

9 - MANAGEMENT COMPANY

Maintenance personnel employed by the management company provide contract building, grounds and other maintenance services to the Association. Payments to the management company for these services amounted to \$208,058 and \$194,396 for the years ended December 31, 2022 and 2021, respectively.

The Association also reimburses the management company for items such as postage, office supplies, printing, and other maintenance items. Reimbursements totaled \$55,727 and \$52,615 for the years ended December 31, 2022 and 2021, respectively.

10 - ASSESSMENTS

Regular monthly assessments to the fourteen (14) subordinate regimes ranged from \$273 to \$39,321 in 2022 and \$264 to \$37,996 in 2021. At December 31, 2022 and 2021, all assessments and other amounts receivable have been collected in full or are considered to be fully collectible and the Association does not recognize an allowance for doubtful accounts or bad debt expense for the years then ended.

KINGSTON PLANTATION MASTER ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - CONSTRUCTION DEPOSITS

The Association's Architectural Standards Committee (ASC) collects construction deposits from their subordinate regimes who are undergoing major repairs and replacements. Upon completion of the subordinate regimes' projects and approval of the ASC, the amounts can be returned. At December 31, 2022 and 2021, the Association recognizes construction deposits of \$18,000 and \$13,000, respectively, which is presented as a liability on the balance sheets.

12 - GOLF CART PARKING DEPOSITS

In 2022, the Association began setting funds aside to assist with a future project in order to pay for more golf cart parking spaces within the common areas of the. At December 31, 2022, the Association recognizes golf cart parking deposits of \$19,650, which is presented as a liability on the balance sheet.

13 - DEFERRED REVENUE – CABLE AND INTERNET CONTRACT

In 2021, the Association entered into a ten (10) year agreement with their cable television provider to be the sole cable television provider for the Association. The agreement called for the Association to receive a lump-sum payment of \$311,400, which will be recognized as cable contract revenue over the life of the agreement. Furthermore, in 2022, the Association amended the 2021 agreement to include internet services. The amended agreement called for the Association to receive a lump-sum payment of \$279,200, which will be recognized as internet contract revenue over the life of the agreement.

For the years ended December 31, 2022 and 2021, the Association recognizes cable and internet contract revenue of \$59,060 and \$31,140, respectively, which is presented on the statements of revenues and expenses and changes in fund balances. As of December 31, 2022 and 2021, the Association recognizes deferred cable and internet contract revenue of \$500,400 and \$280,260, respectively, which is presented on the balance sheet as a liability and will be recognized as revenue over the lives of the agreements.

14- FASB ASC 606 ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate - Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of the guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the reserve fund, as previously described.

The effect of the adoption is an increase in 2022 revenues by \$168,471 and a decrease in 2021 revenues by \$311,509. The effect of the adoption also resulted in the recording of a contract liability (assessments received in advance-reserve fund) at December 31, 2022 and 2021 of \$2,273,432 and \$2,441,903, respectively. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

SUPPLEMENTARY INFORMATION

KINGSTON PLANTATION MASTER ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(Un-audited)

December 31, 2022

The following is based on estimates conducted by an outside engineering firm in 2018 and presents significant information about the components of common property. The estimated remaining useful lives and estimated replacements costs are based on estimates of market replacement and opinions from respective contractors and their industry standards. Actual amounts will vary based on the timing and need for the specific components.

| Component | Estimated Remaining Useful Lives (Years) | Estimated Current Replacement Costs | Year 2023 Budgeted Funding | Reserve Fund Contract Liabilities 12/31/22 |
|---|---|--|----------------------------------|---|
| Laurel Court meeting building exterior elements | 2 to 26 | \$ 181,304 | \$ 5,100 | \$ 28,987 |
| Laurel Court meeting building interior elements | 0 to 24 | 269,815 | 7,590 | 43,138 |
| Property site elements | 0 to 26 | 11,586,068 | 325,918 | 1,852,379 |
| Beach pool elements | 0 to 23 | 952,617 | 26,797 | 152,304 |
| St. James pool elements | 0 to 23 | 654,779 | 18,419 | 104,686 |
| Landscaping & tree replacement | 0 to 23 | 575,042 | 16,176 | 91,938 |
| | | \$ 14,219,625 | \$ 400,000 | \$ 2,273,432 |

See independent auditor's report.